

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 0752-02
Bill No.: HCS for SB 90
Subject: Insurance - General; State Employees
Type: Original
Date: April 28, 2011

Bill Summary: Health care benefits provided to Medicare eligible participants participating in the state health insurance program.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
General Revenue*	Up to \$933,750	(Unknown) to \$1,626,833	(Unknown) to \$1,360,002
Total Estimated Net Effect on General Revenue Fund	Up to \$933,750	(Unknown) to \$1,626,833	(Unknown) to \$1,360,002

* Does not include Unknown costs to Unknown savings for HDHPs.

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Other*	\$100,725 to \$201,450	\$149,528 to \$350,978	\$91,961 to \$293,411
Total Estimated Net Effect on <u>Other</u> State Funds	\$100,725 to \$201,450	\$149,528 to \$350,978	\$91,961 to \$293,411

* Does not include Unknown costs to Unknown savings for HDHPs.

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 10 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Federal*	\$182,400 to \$364,800	\$270,775 to \$635,575	\$166,529 to \$531,329
Total Estimated Net Effect on <u>All</u> Federal Funds	\$182,400 to \$364,800	\$270,775 to \$635,575	\$166,529 to \$531,329

* Does not include Unknown costs to Unknown savings for HDHPs.

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Total Estimated Net Effect on FTE	0	0	0

☐ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☒ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2012	FY 2013	FY 2014
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Section 103.080

In response to similar legislation (SCS for HB 270 with SA 1), officials from the **Missouri Consolidated Health Care Plan (MCHCP)** assumed it will continue offering a High Deductible Health Plan with Health Savings Account (HDHP with HSA) along with Preferred Provider Organization (PPO) medical plan options similar to the medical plans offered today. The MCHCP Board of Trustees and its actuaries are responsible for setting rates and plan designs that meet the needs of MCHCP members, the state budget and this proposal.

Based on this proposal, the deductible for the HDHP offered must be between \$1,200 to \$2,400 for self-only coverage and between \$2,400 to \$4,800 for family coverage. The sum of the deductible and other out-of-pocket expenses cannot exceed \$5,950 for self-only coverage and \$11,900 for family coverage.

In 2006, the state of Indiana implemented one HDHP and 4% of employees enrolled in the plan. In 2007, Indiana introduced another HDHP to replace one of the PPO plan options and enrollment increased to 18% for both HDHPs. In subsequent years, Indiana made additional plan design changes and currently 85% of employees are enrolled in the HDHP options. In 2010, a Mercer study indicated the two HDHPs saved the state an average of 10.7% over the study period from 2006 to 2009. However, officials from the state of Indiana indicated they do not have a breakdown of savings per year. They also indicated the HDHPs attracted healthier populations leaving the less healthy population in the PPO plan.

The MCHCP is unable to estimate potential costs or savings at this time based on Indiana's experience because there are several variables that could present varying outcomes including member enrollment, medical and prescription drug utilization, income, age and health status.

Section 103.082

In response to similar legislation (HB 666), officials from the **Department of Insurance, Financial Institutions, and Professional Registration** and **Missouri Department of Transportation** assumed the proposal would have no fiscal impact on their agencies.

In response to similar legislation (HB 666), officials from the **Department of Public Safety - Missouri State Highway Patrol** deferred to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

HWC:LR:OD

ASSUMPTION (continued)

In response to similar legislation (HB 666), officials from the **Office of Secretary of State (SOS)** stated the fiscal impact for this proposal is less than \$2,500. The SOS does not expect that additional funding would be required to meet these costs. However, the SOS also recognizes that many such bills may be passed by the General Assembly in a given year and that collectively the costs may be in excess of what the SOS can sustain within its core budget. Therefore, the SOS reserves the right to request funding for the costs of supporting administrative rules requirements should the need arise based on a review of the finally approved bills signed by the Governor.

In response to similar legislation (HB 666), officials from the **Missouri Consolidated Health Care Plan (MCHCP)** stated the MCHCP Board of Trustees eliminated bariatric surgery benefits effective Jan. 1, 2011 to provide short-term assistance to the state's challenging budget situation.

During the 37-month period of November, 2007 - December, 2010 when bariatric surgery was a covered benefit through the MCHCP, 94 members took advantage of the benefit. The allowed amount of each procedure, on average, was \$18,824.

Assuming 2.5 members per month have the procedure (30 procedures per calendar year) and also assuming an 11% trend; allowed amounts for this procedure, on average would be \$772,329 for CY 13; \$857,285 for CY 14; \$951,586 for CY 15. The MCHCP will need additional appropriations each year in the previously stated amounts until the procedure recoupment can be achieved.

Based on MCHCP experience, and assuming members who have a bariatric procedure remain covered by the plan, the MCHCP estimates that by 39 months post-procedure, member claim reductions will match procedure claim costs, thereby negating the cost of the procedure.

Members that do not remain covered by the plan keep MCHCP from re-cooping any potential savings. The data used in the analysis is based on 94 members' experience which is not a statistically significant population. Members experiencing complications or negative outcomes due to the procedure would lengthen the break-even point making cost-neutrality difficult to achieve as each member's experience is different.

Oversight is presenting the additional appropriations the MCHCP will need for the period of this fiscal note. **Oversight** notes the provisions of this proposal are to become effective no later than January 1, 2013. Therefore, the proposal will have no cost for FY 12, 6 months of costs for FY 13 and a full year of costs for FY 14 (6 months of FY 13 costs plus 6 months of FY 14 costs). The MCHCP will continue to experience an increase in costs through FY 15 and will not begin procedure recoupment until FY 16, both of which are outside the period of this fiscal note.

ASSUMPTION (continued)

Section 103.089

In response to an earlier version of this proposal, officials from the **Department of Insurance, Financial Institutions and Professional Registration, Department of Social Services, Missouri Department of Transportation** and **Missouri Department of Conservation** assume the proposal would have no fiscal impact on their agencies.

In response to an earlier version of this proposal, officials from the **Department of Public Safety - Missouri State Highway Patrol** deferred to the Missouri Department of Transportation for response regarding the potential fiscal impact of this proposal on their organization.

In response to an earlier version of this proposal, officials from the **Missouri Consolidated Health Care Plan (MCHCP)** projected this legislation will save \$750,000 to \$1.5 million for FY 12 and an additional \$1.5 million to \$3.0 million for each FY 13 and FY 14.

Oversight assumes changes in the design of retiree health insurance plans would not be effective until January 1, 2012.

Section 191.774

In response to similar legislation (HB 669), officials from the **Department of Corrections, Department of Social Services** and **Missouri Consolidated Health Care Plan** assumed the proposal would have no fiscal impact on their agencies.

According to the proposal, any person who violates the no-smoking or use of tobacco products in any area of a state correctional center or the grounds thereof would be guilty of an infraction. **Oversight** assumes these infractions will not result in a material amount of fine revenue collected for local school districts.

Oversight also assumes any potential positive benefits to the state (savings from decreased medical costs) will be occur outside the fiscal note period.

Section 192.300

Oversight assumes the provisions of this section will have no impact on Henry County.

Sections 376.1226 and 376.1227

In response to similar legislation (HB 669), officials from the **Department of Social Services (DSS) - MO HealthNet Division (MHD)** stated Section 376.1226 of this legislation does not revise Chapter 208, RSMo; therefore it does not affect MO HealthNet eligibility or benefits.

ASSUMPTION (continued)

This legislation does revise Chapter 376, RSMo. The MHD assumes that since there is no specific exemption for contracts with the state, the legislation will pertain to HMOs that contract with the state to provide health benefits to MO HealthNet Managed Care participants.

The MHD recognizes there may be additional costs of doing business for HMOs if this legislation passes and that those costs may be passed on to the MHD. The MHD may incur additional costs for an actuarial analysis to determine if capitated rates should be adjusted for the additional costs incurred by the HMO.

If an actuarial analysis is needed, it will occur in the first year and is a one-time cost. The cost of the analysis will depend on the number of program changes that will need to be analyzed as well as the complexity of those changes. This cost is unknown but may be as high as \$100,000. Since this is an administrative cost there will be a 50% federal match rate.

If the HMOs are required to provide additional benefits and the MHD's current rates don't support those costs, the actuary may require an increase in capitated rates to ensure actuarial soundness.

If this occurs, the cost to the MHD is unknown. These additional costs would occur in the second and third years.

FY12: Total cost unknown < \$100,000 (GR Unknown < \$50,000)

FY13: Total cost unknown

FY14: Total cost unknown

In response to similar legislation (HB 669), officials from the **Missouri Consolidated Health Care Plan (MCHCP)** stated the proposal does not fiscally impact the MCHCP. However, MCHCP members could pay additional out-of-pocket expenses because providers could charge the full fee for non-covered services rather than the discounted fee.

FISCAL IMPACT - State Government

FY 2012
(6 Mo.)

FY 2013

FY 2014

GENERAL REVENUE

Savings - HCP

Reduction in Medicare-eligible
 participant benefits (§103.089)

\$466,875 to
 \$933,750

\$933,750 to
 \$1,867,500

\$933,750 to
 \$1,867,500

Costs - MCHCP

Increase in medical costs for bariatric
 procedures prior to procedure recoupment
 (§103.082)

\$0

(\$240,667)

(\$507,498)

Costs - DSS

Increase in Medicaid program
 expenditures (§§376.1226 and 376.1227)

\$0 or (Unknown
less than
\$50,000)

\$0 or
(Unknown)

\$0 or
(Unknown)

**ESTIMATED NET EFFECT ON
 GENERAL REVENUE**

Up to \$933,750

(Unknown) to
\$1,626,833

(Unknown) to
\$1,360,002

*** Does not include Unknown costs to
 Unknown savings for HDHPs**

OTHER STATE FUNDS

Savings - HCP

Reduction in Medicare-eligible
 participant benefits (§103.089)

\$100,725 to
 \$201,450

\$201,450 to
 \$402,900

\$201,450 to
 \$402,900

Costs - MCHCP

Increase in medical costs for bariatric
 procedures prior to procedure recoupment
 (§103.082)

\$0

(\$51,922)

(\$109,489)

**ESTIMATED NET EFFECT ON
 OTHER STATE FUNDS**

\$100,725 to
\$201,450

\$149,528 to
\$350,978

\$91,961 to
\$293,411

*** Does not include Unknown costs to
 Unknown savings for HDHPs**

<u>FISCAL IMPACT - State Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
---	--------------------	---------	---------

FEDERAL FUNDS

Savings - HCP

Reduction in Medicare-eligible participant benefits (§103.089)	\$182,400 to \$364,800	\$364,800 to \$729,600	\$364,800 to \$729,600
--	---------------------------	---------------------------	---------------------------

Income - DSS

Increase in Medicaid program reimbursements (§§376.1226 and 376.1227)	\$0 or Unknown up to \$50,000	\$0 or Unknown	\$0 or Unknown
---	----------------------------------	----------------	----------------

Costs - MCHCP

Increase in medical costs for bariatric procedures prior to procedure recoupment (§103.082)	\$0	(\$94,025)	(\$198,271)
---	-----	------------	-------------

Costs - DSS

Increase in Medicaid program expenditures (§§376.1226 and 376.1227)	<u>\$0 or (Unknown up to \$50,000)</u>	<u>\$0 or (Unknown)</u>	<u>\$0 or (Unknown)</u>
---	--	-----------------------------	-----------------------------

**ESTIMATED NET EFFECT ON
FEDERAL FUNDS**

<u>\$182,400 to \$364,800</u>	<u>\$270,775 to \$635,575</u>	<u>\$166,529 to \$531,329</u>
--	--	--

*** Does not include Unknown costs to
Unknown savings for HDHPs**

<u>FISCAL IMPACT - Local Government</u>	FY 2012 (6 Mo.)	FY 2013	FY 2014
---	--------------------	---------	---------

<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
-------------------	-------------------	-------------------

FISCAL IMPACT - Small Business

The proposal may positively impact small business dentists or optometrists if they are no longer required to follow a mandatory fee schedule for services not covered by a health plan.
 (§§376.1226 and 376.1227)

FISCAL DESCRIPTION

Beginning with the open enrollment period for the 2012 plan year, the Missouri Consolidated Health Care Plan board must offer a qualified high deductible health plan that has a monthly subscriber premium that is materially lower than non-high deductible health plan monthly subscriber premiums with a goal of monthly subscriber premiums being at least 50% lower than non-high deductible health plan premiums. The amount of the annual deductible for the high deductible health plan offered shall be no greater than 200% of the minimum annual deductible for self-only coverage and family coverage as established by the Internal Revenue Service for the current tax year. The sum of the annual deductible and the other annual out-of-pocket expenses required to be paid under a high deductible health plan offered by the board shall not exceed the amount set forth by the Internal Revenue Service for the current tax year. The coverage afforded by the high deductible health plan, after the deductible has been met, shall be substantially similar or better than the coverage provided by the non-high deductible health plan chosen by a plurality of qualified employees.

If, after the completion of the open enrollment period for the 2012 plan year, fewer than 10% of Missouri's active state employees have enrolled in a high deductible health plan described in the act, then the board shall offer a more competitive high deductible health plan with increased financial and coverage incentives, including but not limited to alternative annual deductibles, out-of-pocket expenses, and other health plan design features, all within the federal guidelines, with the goal of having 40% of Missouri's active state employees enrolling in a health savings account compatible high deductible health plan by the open enrollment period for the 2015 plan year. (§103.080)

This proposal requires the Missouri Consolidated Health Care Plan Board of Trustees to develop a cost-neutral or cost-positive plan by January 1, 2013, to provide bariatric coverage for individuals under the plan. (§103.082)

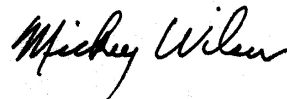
Under this proposal, Missouri Consolidated Health Care Plan participants who are eligible for Medicare benefits and who are not eligible for their state employee health care coverage to be their primary plan of coverage shall be provided substantially similar benefits provided to participants who are not eligible for Medicare benefits. Under current law, a participant in the state employee health care plan who is eligible for Medicare, and whose state employee coverage is not primary, must be provided the same benefits provided to participants who are not eligible for Medicare benefits. (§103.089)

This proposal prohibits a contract between a health carrier or health benefit plan and a dentist or optometrist from requiring the provider to provide services to an insured at a fee established by the carrier or plan if the services are not covered under the plan. (§§376.1226 and 376.1227)

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance, Financial Institutions and Professional Registration
Department of Corrections
Department of Social Services
Missouri Department of Transportation
Department of Public Safety -
 Missouri State Highway Patrol
Missouri Consolidated Health Care Plan
Missouri Department of Conservation
Office of Secretary of State

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
April 28, 2011